

1 PATRICIA A. CUTLER, Assistant U.S. Trustee (#50352)  
EDWARD G. MYRTLE, Trial Attorney (DC#375913)  
2 FRANK M. CADIGAN, Trial Attorney (#95666)  
U.S. Department of Justice  
3 Office of the United States Trustee  
250 Montgomery Street, Suite 1000  
4 San Francisco, CA 94104  
Telephone: (415) 705-3333  
5 Facsimile: (415) 705-3379

6 Attorneys for United States Trustee  
William T. Neary  
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9 **UNITED STATES BANKRUPTCY COURT**  
10 **NORTHERN DISTRICT OF CALIFORNIA**

11 In re	}	No.	01-30923 DM
12 PACIFIC GAS AND ELECTRIC		Chapter	11
13 COMPANY,		Date:	July 7, 2003
14 Debtor.		Time:	1:30 p.m.
		Ctrm:	235 Pine Street, 22 <sup>nd</sup> Floor San Francisco, California

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17 **DECLARATION OF PATRICIA MARTIN RE UNITED STATES TRUSTEE'S**  
18 **REPORT ON PROFESSIONAL FEES FOR CURRENT PERIOD (12/01/02 - 3/31/03) AND**  
19 **CUMULATIVE CASE TO DATE (4/06/01 - 3/31/03)**

20 I Patricia Martin declare:

21 1. I am a Bankruptcy Analyst employed by the United States Department of Justice,  
22 Office of the United States Trustee for the Northern District of California. I am the U.S.  
23 Trustee analyst who has been assigned to review and monitor the professional fees in the  
24 Chapter 11 Pacific Gas and Electric Company case.

25 2. Pursuant to the Court's Order Establishing Interim Fee Application and Expense  
26 Reimbursement Procedure, entered July 26, 2001, the Office of the U.S. Trustee has  
27 received electronic transmission of various professionals' monthly invoices and formal fee  
28 applications. These electronic transmissions have been uploaded into a database, data

1 from which can then be downloaded into an Excel spreadsheet which allows an in-depth  
2 analysis of each fee application using a variety of methods.

3 3. Using the method described above, I have reviewed the professionals' fee  
4 applications which are the subject of this hearing. I prepared the Report of Professional  
5 Fees and Expenses for Current Period (12/01/02 - 3/31/03) and Cumulative Case to Date  
6 (4/06/01 - 3/31/03) which is attached hereto as Exhibit 1. It is the intent of the report to give  
7 the court, the debtor, the creditors' committee, and interested parties (a) a broad overview of  
8 the cost of the bankruptcy case; (b) an approximation of the cost of specific matters so the  
9 court and knowledgeable parties can assess the reasonableness of fees; and (c) sufficient  
10 detail with respect to attorneys, accountants, billing rates, billing trends to isolate areas in  
11 which better billing discretion might be utilized.

12 4. I suggest the following areas deserve additional scrutiny by the court and  
13 knowledgeable parties for a determination of reasonableness:

14 (a) **Antitrust Claims Estimation Trial - Howard Rice**. In late November,  
15 2002, a stipulation was entered into by PG&E and objecting parties whereby they agreed to  
16 expedited discovery and an abbreviated trial to determine what amount of damages, if any,  
17 PG&E should project in its plan for the Objectors' antitrust claims for feasibility purposes  
18 only. The stipulation provided for a 3 day trial with a maximum of 5 percipient witnesses and  
19 three expert witnesses per party. The trial took place on January 27, 28, and 29, 2003.  
20 Proposed findings of fact and conclusions of law were submitted on March 26, 2003. One  
21 measure of the reasonableness of fees is to compare how much the opposing party incurred  
22 in legal expenses; that information is unavailable. Howard Rice's hours and fees in this  
23 matter, alone, for the period of December - March, 2003 (the post stipulation period) totaled  
24 5,418.9 hours and \$1,451,781. During the prior fee application period, the firm addressed  
25 and researched the same objections charging 2,959.8 hours and \$858,164. Combined,  
26 debtor's counsel has billed **8,378.7 hours** for a total of **\$2,309,945** on the antitrust claims  
27 objections. Please refer to Exhibit 1 - E-4 for a breakdown of Howard Rice's hours and fees  
28 in this billing category.

1           (b) **FERC Refund Proceedings - Heller Ehrman.** During this billing  
2 period, the Heller firm took extensive discovery over a 100 day period and filed a report with  
3 the FERC related to their findings of potential market manipulation by electricity sellers  
4 during California's energy crisis. It appears the firm utilized attorneys and paralegals in its  
5 Washington, D.C., Seattle, Portland and San Francisco offices in the discovery effort. The  
6 firm charged **\$3,223,402** for a total of **12,383.1 hours** in this matter for the four month  
7 period. This represents 20.81% percent of all the hours billing by all professionals during  
8 this billing period (12,383.1/59,491.5) and 17.6% of all the fees (\$3,223,402/\$18,311,253).  
9 These fees deserve special scrutiny because of their magnitude, the number of  
10 shareholder-attorneys involved, and because no explanation was provided as to the  
11 delegation of the project between the various Heller offices. For example, assuming Heller's  
12 FERC expertise resides in its Washington, D.C. office, what added benefit did its San  
13 Francisco office provide for \$127,737? Please see Exhibit 1 - F-4 for an analysis of Heller's  
14 fees in this category, broken down by office.

15           (c) **Cooley, Godward - Increase in Paraprofessionals.** An anomaly  
16 appeared in the Cooley firm's fee application during this billing period. Please see Exhibit 1  
17 - G-2. Normally, as attorneys' fees are reduced, there is a corresponding reduction in  
18 paraprofessional/staff hours and vice versa. Inexplicably, Cooley's para-professionals hours  
19 **increased significantly (+ 1,422.9 hours or + \$206,381)** while its partners' hours/fees and  
20 associates hours decreased ( -1,182.7 and -3,324.4 hours respectively).

21           (d) **Status of PG&E Plan Implementation with Regulatory Agencies.** As  
22 of March 31, 2003, professionals involved in this case have billed **45,871.7 hours** or  
23 **\$12,457,146** in proceedings and matters related to the regulatory applications necessary to  
24 implement PG&E's plan on the assumption it will go forward as proposed. The primary  
25 professionals charging services in this matter are Deloitte Touche (prospective audit of the  
26 proposed successor entities - \$3.6 million), Skadden Arps (primarily transmission-related  
27 matters - \$1.68 million) and Winston Strawn (\$2.45 million). None of the professionals' fee  
28 narratives provide a status report on the regulatory applications themselves. If the

confirmation trial is stayed to allow for possible settlement, can the regulatory application process be stayed as well without detrimental effects? Please see Exhibit-1-D-3.

(e) **Expert Consultant's Fees Being Processed as Expenses - Heller Ehrman.**

Heller Ehrman's expense reimbursement request includes \$35,642.21 worth of unspecified expert consulting fees billed to the FERC refund proceeding:

Billing Category: 13779-0063		
Billing Matter: Electric Market Failures		
Date	Amount	Description
01/30/2003	6,312.50	REQUEST#: 316548; DATE: 1/30/2003 - Expert Consultant Fees - expert services rendered during the period of 01/12-16/03
02/10/2003	17,194.29	REQUEST#: 317973; DATE: 2/10/2003 - Expert Consultant Fees - expert services rendered during the period of 01/10/03 to 02/09/03
02/11/2003	7,805.42	VENDOR: Consultant - INVOICE#: 2110351; DATE: 2/11/2003 - Expert Consultant Fees - expert consulting services rendered during the period of 01/27/03 to 02/07/03
\$35,642.21 TOTAL		

I declare, under penalty of perjury, to the best of my knowledge, the foregoing statements are true and correct and, if called upon to testify thereon as a witness, I would be competent to so testify. Executed this 17<sup>th</sup> day of June, 2003, in San Francisco, California.

  
Patricia Martin